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June 13, 2006

Via Electronic Filing

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: *Ex Parte* Notice: *Telecommunication Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities* – CG Docket No. 03-123

Dear Ms. Dortch:

On June 12, 2006, Ruth Milkman, counsel for Sorenson Communications, Inc. (“Sorenson”), spoke by telephone with Michelle Carey and Monica Desai of the Federal Communications Commission (“FCC”) in connection with the above-referenced proceeding. During the conversations, Sorenson stated that as part of the general desire for predictability and consistency in the telecommunications relay services (“TRS”) funding process, it would be prudent to keep the contribution factor at .00564.

Maintaining the current contribution factor would be a prudent way to prepare for the possibility that an interim reimbursement rate of \$6.644 might remain in place for more than 12 months, depending on how long it takes the FCC to complete a proceeding regarding the permanent rate methodology. In its initial comments, Sorenson advocated keeping the contribution factor at approximately the current level, and no party has filed comments or reply comments advocating for lowering the contribution factor from its current level. In contrast, it would be imprudent and unnecessarily risky to lower the contribution factor by reducing the safety margin, given that the factor is based on predictions rather than historical data. As explained below in greater detail, the current contribution factor should be sufficient to fund interstate relay services at projected levels of demand while still preserving an appropriate safety margin to safeguard against any potential under-collections.

For example, assuming that the FCC were to continue the VRS rate of \$6.644 for a minimum of 12 months, with a possible short-term extension, and assuming that no

adjustments were made to NECA's proposed rates for other interstate relay services, NECA would be required to reimburse providers approximately \$456 million. In addition, as has been done every year for the past 11 years, the Commission should allow for a 10 percent safety margin to avoid a shortfall or mid-year changes in the contribution factor. In order to create the required fund, NECA should carry over the anticipated \$64 million in unused funds that will remain at the end of the 2005-06 rate year, and maintain collections based on the current contribution factor.¹

NECA has used a 10 percent safety margin every year since its first filing in 1994.² The use of a 10 percent safety margin has proven to be prudent; at least once (in 2004) the adopted contribution factor failed to yield sufficient revenue to satisfy demand and required a mid-year adjustment to increase the contribution factor,³ and on at least one other occasion (in 2001) a mid-year increase in TRS rates would have required an increase in the contribution factor if a safety margin had not already been factored into the original calculations.⁴

By contrast, in its May 1, 2006 filing, NECA proposed to radically reduce the safety margin, without explanation.⁵ From the perspective of contributors, adoption of NECA's proposed safety margin would produce a negligible difference in the contribution factor – a difference of three one-hundredths of one percent, or .0003. From the perspective of managing the fund and ensuring reimbursement for services lawfully provided, it would be imprudent to create the serious risk of a shortfall. Maintaining the current contribution factor would be consistent with the general principle of protecting the predictability and reliability of the TRS fund.

¹ Interstate Telecommunications Relay Services Fund Payment Formula and Fund Size Estimate, attached to letter from John Ricker, NECA, to Marlene H. Dortch, FCC, CG Docket No. 03-123, at 20 (May 1, 2006), as amended by *Errata* (May 10, 2006) ("NECA Filing").

² *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Order, 20 FCC Rcd 12237, ¶ 32 (2005) (noting that a 10 percent safety margin mitigates the possibility that NECA will have to collect additional funds from contributors).

³ *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Order, 19 FCC Rcd 2993, ¶ 2 (2004).

⁴ *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Order, 16 FCC Rcd 4651, ¶¶ 1, 12 (2001).

⁵ NECA Filing at 20.

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Pursuant to the Commission's rules, this letter is being submitted for inclusion in the public record of the above-referenced proceeding.

Sincerely,

/s/ Ruth Milkman
Ruth Milkman

cc: Michelle Carey
Monica Desai